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TO AMEMBASSY BRASILIA IMMEDIATE

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E.O. 11652: GDS

TAGS: PFOR, BR

SUBJECT: BRAZILIAN REPRESENTATION OF NORTHROP

1. AS YOU MAY KNOW TIME MAGAZINE JUNE 23, 1975 MENTIONED BRAZIL AMONG COUNTRIES IN WHICH NORTHROP AVIATION HAD EMPLOYED AGENTS/CONSULTANTS TO ADVANCE ITS AIRCRAFT SALES. BRAZILIAN EMBASSY HERE BUZZING WITH RUMORS THAT TWO FAB SENIOR OFFICERS INVOLVED.
2. FOLLOWING ARE HIGHLIGHTS OF FOUR NORTHROP DOCUMENTS WHICH THE SENATE SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS HAS MADE AVAILABLE TO DEPARTMENT ON A CONFIDENTIAL BASIS AND WHICH RELATE TO BRAZIL. FULL TEXTS BEING POUCHED.
3. MEMO DATED 26 AUGUST 1971 FROM G.D. MC ADAMS TO C.R. GATES DESCRIBING MC ADAMS' TRIP TO BRAZIL IN THAT MONTH IN SECRET

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ORDER "TO MEET WITH BRAZILIAN AF (FAB) COMMANDERS AND OBTAIN

FROM THEM A CLEAR INDICATION AS TO WHOM WE SHOULD SELECT AS REPRESENTATIVE." MC ADAMS MET ON AUGUST 11 WITH BRIGADIER EVIDIO, "COMMANDER OF THE SECOND TACTICAL AIR FORCE," AND BRIG. VINHAES, "TOP OPERATIONAL COMMANDER IN THE FAB AND NEXT TO THE AIR MINISTER, ONE OF THE MOST IMPORTANT MEN IN THE AIR FORCE." THE MEETING WAS ARRANGED BY MOACYR TEDESCO AND DR. BUREAUX OF THE BRAZILIAN FIRM NASA. DURING THE

MEETING, "BRIG. EDIVIO MADE IT VERY CLEAR TO ME (I.E. MC ADAMS) THAT NASA IS THE ORGANIZATION WE SHOULD HAVE AS REPRESENTATIVE IN BRAZIL. EDIVIO POINTED OUT THAT TEDESCO IS HIS CLASSMATE FROM FLYING SCHOOL AND THAT DR. BUREAUX HAS BEEN AN INTIMATE FRIEND SINCE HE CAN REMEMBER. HE ASSURED US THAT NORTHROP WOULD BE IN GOOD HANDS WITH TEDESCO AND BUREAUX AND THAT ANYTHING THEY MIGHT SAY TO HIM WOULD NEVER BE QUESTIONED BECAUSE OF HIS COMPLETE FAITH IN THEM." MC ADAMS ALSO NOTED THAT "BOTH DEFFEBACH AND I WERE AMAZED AT THE INTIMATE FAMILIARITY THAT TEDESCO (REFERRED TO AS RETIRED FAB COLONEL WELL PLACED WITH CURRENT COMMANDERS) AND BUREAUX HAVE WITH BRIGADIZRS EDIVIO AND VINHAES AND OTHER TOP FAB OFFICERS AS WELL." MC ADAMS RECOMMENDED THAT NASA BE CONTRACTED TO REPRESENT NORTHROP IN BRAZIL.

4. AN INTERNAL NORTHROP MEMO DATED 15 FEBRUARY 1973 STATING THAT A DRAFT AGREEMENT WITH NASA "IS IN TWO PARTS: THE FIRST 5 PAGES CONSIST OF A CONSULTANT AGREEMENT WHICH CAN BE SHOWN BY NASA TO BRAZILIAN TAX AUTHORITIES; THE LAST TWO PAGES ARE AN ANNEX THAT CONTAIN THE REAL MEAT OF THE COMPENSATION." THE NOTE ADDED THAT WHEN (NORTHROP OFFICIAL) BECKER "POINTED OUT TO EDDINGTON THE FACT THAT THERE IS AN AGREEMENT PLUS AN ANNEX AND THAT THERE IS A 50/40/10 PERCENT PAYMENT SCHEDULE, EDDINGTON SAID NOT ONLY NO BUT HELL NO -- NO WAY WOULD HE RECOMMEND THAT TO THE GENERAL MANAGER BECAUSE OF RISK OF CANCELLATION OF THE CONTRACT. HE SAID HE WOULD TALK TO YOU (NORTHROP OFFICIAL) ABOUT IT."

5. IN A MEMO DATED 16 JULY 1973 TO MANUEL G. GONZALEZ, A.P. BUCHIARELLI WROTE: "IN VIEW OF GEN. TRIMBAL'S
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LETTER, LGF DATED 4 JUNE 1973, THE FACT THAT WE HAVE ENTERED INTO TWO AGREEMENTS WITH NASA -- ONE INDICATING A FLAT SUM PAYMENT AND ONE INDICATING ADDITIONAL COMPENSATION -- COULD RESULT IN EMBARRASSMENT TO BOTH NORTHROP AND NASA IF THE US GOVERNMENT DISCLOSES AGENT FEES TO THE FMS CUSTOMER. A NORTHROP POSITION ON THIS SHOULD BE ESTABLISHED WITH NASA SHOULD ANY FUTURE AIRCRAFT PROCUREMENT BE ACCOMPLISHED UNDER FMS PROCEDURES."

6. A MEMO DATED 22 MARCH 1974 FROM (NORTHROP OFFICIALS) P.H. CHAMPION TO W.E. GASICH DISCUSSING "OUR BRAZILIAN CONSULTANT'S CONTENTION THAT HE WAS ENTITLED TO THE COMMISSION ON SIX ADDITIONAL AIRCRAFT AT DOLS 60,000 EACH DUE TO SELLING OPTIONS INSTEAD OF A LARGER QUANTITY OF AIRCRAFT." THE MEMO NOTES THAT "A SETTLEMENT WAS MADE AND A SEPARATE CONSULTANT AGREEMENT WAS WRITTEN AND EXECUTED BY C.R. GATES FOR THE CORPORATION ON 21 MARCH 1974. THIS

AGREEMENT PROVIDES FOR PAYING OUR CONSULTANT (IN THIS CASE SR. PINTO'S SON AFONSO AUGUSTO PINTO GUIMARAES) AS FOLLOWS: DOLS 75,000 WITHIN THIRTY DAYS AND DOLS 50,000 EACH YEAR THEREAFTER FOR FIVE YEARS, RESULTING IN A TOTAL PAYMENT OF DOLS 325,000." IN THIS CONNECTION, THE 1971 MEMO CITED IN PARA 2 IDENTIFIES A. PINTO GUIMARAES AS A MAJORITY STOCKHOLDER IN NASA.

7. IT DOES NOT APPEAR THAT THERE IS ANY FIRM EVIDENCE AT THIS TIME LINKING PAYMENTS TO NASA TO ANY FAB RECIPIENTS. NOR WAS AMOUNT OF COMMISSION REVEALED TO GOB AT TIME OF SALE. NO FURTHER DETAILS ARE NOW AVAILABLE TO CLARIFY ABOVE-DESCRIBED RELATIONSHIPS BETWEEN NORTHROP, NASA, FAB AND US GOVERNMENT, BUT IN LIGHT OF TIME ARTICLE WE EXPECT FURTHER PUBLIC ATTENTION AS WORK OF CHURCH COMMITTEE GOES FORWARD.

8. OUR PURPOSE IN THE MIDST OF THESE DISCLOSURES IS TO ATTEMPT TO LIMIT DAMAGE TO US-GOB RELATIONS BY UNEXPECTED PUBLICITY. IN THIS CONNECTION WE THINK IT ADVISABLE FOR PRESIDENT GEISEL TO BE INFORMED AND SUGGEST THAT THIS MIGHT BEST BE DONE VIA SILVEIRA AT EARLIEST POSSIBLE OPPORTUNITY. YOU MAY IN THIS CONNECTION DRAW ON ANY OR
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ALL OF FOREGOING YOU DEEM ADVISABLE. IF YOU HAVE ALTERNATE PROPOSAL FOR HANDLING, PLEASE ADVISE.

9. PLEASE NOTE THAT THESE DOCUMENTS MUST BE TREATED AS PRIVATE AND CONFIDENTIAL, SINCE AT PRESENT THEY ARE INTERNAL WORKING PAPERS OF CHURCH SUBCOMMITTEE. KISSINGER

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